



Nkandla Municipality
(Registration number KZN 286)
Annual Financial Statements
for the year ended 30 June 2017

Nkandla Municipality

(Registration number KZN 286)

Annual Financial Statements for the year ended 30 June 2017

General Information

Mayoral committee

Executive Mayor

Cllr AT Ntuli - Mayor
Cllr NFJ Nzuza - Deputy Mayor
Cllr SO Sibiya - Speaker
Cllr BB Dlomo - Exco Member
Cllr BZ Mncadi-Mpanza - Exco Member
Cllr NR Xulu - Exco Member

Councillors

Cllr TP Mncube
Cllr NP Mahaye
Cllr MBE Ntombela
Cllr ZM Mbeje
Cllr TF Nxumalo
Cllr PR Dlamini
Cllr JB Ntuli
Cllr FK Magubane
Cllr MN Mthombeni
Cllr TB Mbuyisa
Cllr LM Msimango
Cllr BB Ndimba
Cllr PJ Buthelezi
Cllr NPN Magubane - MPAC Chairperson
Cllr TB Ntombela
Cllr AS Sikhakhane
Cllr SV Lushozi
Cllr BS Mbambo
Cllr NP Zulu
Cllr DB Mpungose
Cllr NW Gasa
Cllr TO Ndlela - Deputy Mayor(Term ended: August 2016)
Cllr BW Sibiya - Exco Member(Term ended: August 2016)
Cllr SA Majola (Term ended: August 2016)
Cllr SB Manyathi (Term ended: August 2016)
Cllr BV Khanyile (Term ended: August 2016)
Cllr BN Buthelezi (Term ended: August 2016)
Cllr L Ntombela (Term ended: August 2016)
Cllr SE Mhlongo (Term ended: August 2016)
Cllr TT Dlamini (Term ended: August 2016)
Cllr HR Ntombela (Term ended: August 2016)
Cllr CM Mthlane (Term ended: August 2016)
Cllr SM Bhengu (Term ended: August 2016)
Cllr S Buthelezi (Term ended: August 2016)

Grading of local authority

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Accounting Officer

Mr LS Jili

Chief Finance Officer (CFO)

Mr S Ntombela

Registered office

Private Bag x 161
Nkandla
3855

Nkandla Municipality

(Registration number KZN 286)

Annual Financial Statements for the year ended 30 June 2017

General Information

Business address

Maree Road, Lot 292
Nkandla

Bankers

ABSA

Auditors

Auditor General of South Africa

Nkandla Municipality

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers(Previously IMFO)
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
INEP	Integrated National Electrification Programme

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Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

I also certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office as disclosed in the Annual Financial Statements below are within the upper limits of the framework envisaged in Section 219 of the Constitution, read in conjunction with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 6 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

Mr LS Jili
Accounting Officer

31 August 2017

Nkandla Municipality

(Registration number KZN 286)

Annual Financial Statements for the year ended 30 June 2017

Auditor's Report

Nkandla Municipality

(Registration number KZN 286)

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
Assets			
Current Assets			
Receivables from non-exchange transactions	8	3,987,910	3,432,305
VAT receivable	10	3,026,320	9,469,089
Prepayments	6	299,139	-
Receivables from exchange transactions	7	5,209,915	5,985,848
Cash and cash equivalents	11	806,935	4,481,813
		13,330,219	23,369,055
Non-Current Assets			
Investment property	3	5,201,018	5,432,507
Property, plant and equipment	4	344,498,145	322,690,696
Intangible assets	5	1,055,050	553,160
		350,754,213	328,676,363
Total Assets		364,084,432	352,045,418
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	27,871,383	29,955,921
Unspent conditional grants and receipts	12	1,990,606	2,914,495
Provisions	13	63,897	30,832
		29,925,886	32,901,248
Non-Current Liabilities			
Provisions	13	6,653,273	6,194,563
Total Liabilities		36,579,159	39,095,811
Net Assets		327,505,273	312,949,607
Accumulated surplus		327,505,273	312,949,607

* See Note 36

Nkandla Municipality

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Note(s)	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	15	9,329,143	7,964,344
Rental of facilities and equipment	16	677,768	599,329
Interest on consumer debtors		1,895,671	1,718,217
Other income	17	620,358	4,853,151
Interest received - investment	18	663,980	2,077,041
Total revenue from exchange transactions		13,186,920	17,212,082
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	18,834,654	12,818,076
Transfer revenue			
Government grants & subsidies	21	125,217,142	144,059,550
Total revenue from non-exchange transactions		144,051,796	156,877,626
Total revenue		157,238,716	174,089,708
Expenditure			
Employee related costs	22	(40,336,969)	(37,327,577)
Remuneration of councillors	23	(8,044,661)	(7,895,971)
Depreciation and amortisation	24	(11,689,785)	(8,975,770)
Impairment loss/ Reversal of impairments	25	(141,675)	(89,823)
Lease rentals on operating lease	31	(3,766,842)	(2,846,294)
Debt Impairment	26	(4,237,564)	(5,580,123)
Bulk purchases - Electricity	27	(12,721,485)	(9,379,505)
Contracted services	28	(8,485,934)	(6,344,381)
Grant expenditure	20	(7,435,551)	(4,376,001)
General Expenses	29	(46,660,733)	(43,550,875)
Total expenditure		(143,521,199)	(126,366,320)
Operating surplus		13,717,517	47,723,388
Surplus or (Loss) on disposal of assets		863,377	459,903
Assets written-off		(25,228)	(92,080)
		838,149	367,823
Surplus for the year		14,555,666	48,091,211

* See Note 36

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Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2015	268,058,547	268,058,547
Changes in net assets		
Surplus for the year	48,091,211	48,091,211
Prior period errors	(3,200,151)	(3,200,151)
Total changes	44,891,060	44,891,060
Restated* Balance at 01 July 2016	312,949,607	312,949,607
Changes in net assets		
Surplus for the year	14,555,666	14,555,666
Total changes	14,555,666	14,555,666
Balance at 30 June 2017	327,505,273	327,505,273
Refer to Note 36 for prior period errors		

* See Note 36

Nkandla Municipality

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Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		27,650,486	20,838,724
Grants		124,281,923	143,774,387
Interest income		663,980	2,077,041
		<u>152,596,389</u>	<u>166,690,152</u>
Payments			
Employee costs		(48,417,022)	(46,087,087)
Suppliers		(67,347,531)	(57,587,673)
		<u>(115,764,553)</u>	<u>(103,674,760)</u>
Net cash flows from operating activities	32	<u>36,831,836</u>	<u>63,015,392</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(40,652,084)	(68,303,930)
Proceeds from sale of property, plant and equipment	4	1,198,001	761,403
Purchase of other intangible assets	5	(1,052,631)	(41,809)
Net cash flows from investing activities		<u>(40,506,714)</u>	<u>(67,584,336)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(3,674,878)</u>	<u>(4,568,944)</u>
Cash and cash equivalents at the beginning of the year		4,481,813	9,050,757
Cash and cash equivalents at the end of the year	11	<u>806,935</u>	<u>4,481,813</u>

* See Note 36

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	15,176,000	845,000	16,021,000	9,329,143	(6,691,857)	1
Rental of facilities and equipment	726,000	(13,000)	713,000	677,768	(35,232)	2
Interest on consumer debtors	1,880,000	-	1,880,000	1,895,671	15,671	3
Agency services	5,000	(5,000)	-	-	-	4
Licences and permits	131,000	(75,000)	56,000	-	(56,000)	5
Other income	3,145,000	(1,457,000)	1,688,000	620,358	(1,067,642)	
Interest received - investment	950,000	(150,000)	800,000	663,980	(136,020)	6
Gains on disposal of assets	900,000	(500,000)	400,000	-	(400,000)	
Total revenue from exchange transactions	22,913,000	(1,355,000)	21,558,000	13,186,920	(8,371,080)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	11,878,000	6,052,000	17,930,000	18,834,654	904,654	7
Property rates - penalties imposed	436,000	-	436,000	-	(436,000)	
Fines	50,000	(50,000)	-	-	-	

Transfer revenue

Government grants & subsidies	123,676,000	-	123,676,000	125,217,142	1,541,142	
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Total revenue from non-exchange transactions	136,040,000	6,002,000	142,042,000	144,051,796	2,009,796	
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Total revenue	158,953,000	4,647,000	163,600,000	157,238,716	(6,361,284)	
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Expenditure

Employee costs	(39,445,000)	(126,000)	(39,571,000)	(40,336,969)	(765,969)	8
Remuneration of councillors	(8,526,000)	400,000	(8,126,000)	(8,044,661)	81,339	9
Depreciation and amortisation	(2,755,000)	(3,115,000)	(5,870,000)	(11,689,785)	(5,819,785)	10
Impairment loss/ Reversal of impairments	-	-	-	(141,675)	(141,675)	
Lease rentals on operating lease	(1,830,000)	-	(1,830,000)	(3,766,842)	(1,936,842)	11
Bad debts written off and Debt impairment	(560,000)	(235,000)	(795,000)	(4,237,564)	(3,442,564)	12
Repairs and maintenance	(5,100,000)	670,000	(4,430,000)	-	4,430,000	13
Bulk purchases	(11,000,000)	(1,000,000)	(12,000,000)	(12,721,485)	(721,485)	14
Contracted Services	(12,637,000)	(3,980,000)	(16,617,000)	(8,485,934)	8,131,066	15
Transfer and grants	(885,000)	-	(885,000)	(7,435,551)	(6,550,551)	16
General Expenses	(34,684,000)	2,109,000	(32,575,000)	(46,660,733)	(14,085,733)	17

Total expenditure	(117,422,000)	(5,277,000)	(122,699,000)	(143,521,199)	(20,822,199)	
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Operating surplus	41,531,000	(630,000)	40,901,000	13,717,517	(27,183,483)	
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Gain on disposal of assets and liabilities	-	-	-	863,377	863,377	
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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R		
Assets written-off	-	-	-	(25,228)	(25,228)	
	-	-	-	838,149	838,149	
Surplus before taxation	41,531,000	(630,000)	40,901,000	14,555,666	(26,345,334)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	41,531,000	(630,000)	40,901,000	14,555,666	(26,345,334)	

- (1) Service charges - electricity was sold at a profit, however in terms of units the municipality sold less and was unable generate more revenue from electricity due to internal consumption and electricity losses. Refuse removal made a loss of R330 058 which in total resulted in a negative amount for Service charges.
- (2) Defaulting tenants had their lease agreements terminated, new lease agreements were signed the tenants paid however the budgeted target was not achieved due to terminations.
- (3) Interest on Consumer debtors increased due to the increase of the number of customers in arrears. The municipality embarked on the vigorous credit control and debt collection policy and as a result more customers made arrangements to pay for arrear accounts.
- (4) There were no agency fees paid to the municipality due to the traffic unit not being functional during the year.
- (5) The municipality anticipated to collect revenue on the Traffic Unit but due to the operating licence not being approved on time, no transactions took place at the Traffic Unit for the year ended 30 June 2017.
- (6) The decrease in Interest Received can be attributable to Grant allocation received and less investments made in call accounts.
- (7) This is due to Section 78 of the MPRA, which allows for a change of market value of property at anytime during the year, which result in the increase in rates from the budgeted amount.
- (8) The actual expenditure is in line with the budgeted amount as variance is equal or below 10% and is considered to be reasonable and does not require further investigations.
- (9) The actual expenditure in line with the budgeted amount as variance is equal or below 10% and is considered to be reasonable and does not require further investigations.
- (10) The depreciation was erroneously estimated during budget preparation and did not include depreciation on new assets capitalised on the current financial year.
- (11) The variance is due to new five vehicles that were leased during the current financial year. The budgeted amount erroneously omitted the vehicles that were to be leased.
- (12) The budgeted figure was based on an amount of outstanding debtors in the previous period and before considering the implementation of revenue enhancement strategy, during the financial year the revenue enhancement strategy was enforced and debtors started availing themselves to honour their debts. This therefore resulted in a reduced amount of outstanding debtors.
- (13) The actual expenditure with the budgeted amount as variances equal to or below 10% are considered to be reasonable and does not require further investigations.
- (14) The actual expenditure in line with the budgeted amount as variance is equal or below 10% and is considered to be reasonable and does not require further investigations.
- (15) The variance is due to some transactions falling under contracted services being misallocated to general expenditure.
- (16) The variance is due to an amount of free basic services on electricity being misallocated to grant expenditure - bulk purchases during the budget process. All grant expenditure is reallocated according to the nature of expenditure.
- (17) The variance is due to most transactions falling under contracted services being misallocated to general expenditure and vice versa during budget preparations.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Provision for landfill site

The entity has an obligation to rehabilitate its landfill site in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square metre, the monitoring cost per square metre, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value to represent the time value of money.

Other provisions

The municipality's other provisions consist of a provision for leave pay and a provision for long service award. Provisions are measured as the present value of the estimated future outflows required to settle the obligation.

Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payments history and risk profile. The municipality firstly assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not significant.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life in years
Infrastructure	
• Roads and paving	30
• Pedestrian malls	30
• Electricity	20-80
Community	
• Buildings	30
• Recreational facilities	20-30
• Security	5
Other	
• Buildings	30
• Other vehicles	5
• Office Equipment	3-7
• Furniture and fittings	7-10
• Bins and containers	5
• Other items of plant and equipment	2-5
• Landfill sites	15

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceeding reporting. If any such indication exists, the municipality revises the expected the useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed;
- (b) The use of the asset has changed, because of the following:
 - (i) The municipality has changed the manner in which the asset is used.
 - (ii) The municipality has changed the utilisation rate of the asset.
 - (iii) The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
- (iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
- (v) Legal or similar limits placed on the use of the asset have changed.
- (vi) The asset was idle or retired from use during the reporting period.
- (c) The asset is approaching the end of its previously expected useful life.
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and /or its significant components either being undertaken or delayed.
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (g) The asset is assessed as being impaired in accordance with GRAP 21 and GRAP 26.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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1.6 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Intangible assets consist of computer software.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost.
- Financial liabilities measured at amortised cost.
- Financial instruments at fair value.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their components parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus in case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to acquisition or issue.

Transaction costs on financial instruments at fair value are recognised in surplus or deficit.

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1.7 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as financial assets at amortised cost.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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1.8 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service. The cost of short-term employee benefits are recognised as expense in the period in which the service is rendered and are not discounted.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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1.10 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Contributions to Natal Joint Pension Fund are as follows:-

Provident: 83 Members 7% Council 13.65%

Retirement: 11 Members 8.65% Council 38.37%

Superannuation: 8 Members 9.25% Council 21.63%

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Commitments are measured at the value of the contract less amount incurred.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service Charges

Service charges revenue relating to refuse removal is recognised on a monthly basis in arrears by applying the approved tariff.

Service charges relating to electricity are based on consumption. Meters are read on regular basis and revenue is recognised when billed. Provisional estimates of consumption are made when meter readings can not be done. Prepaid electricity is recognised based on the approved tariffs.

Service charges revenue relating to other services is recognised on a monthly basis in arrears by applying the approved tariff.

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1.13 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality or organ of state without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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1.14 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expenditure has been incurred and to the extent that any other restrictions have been complied with.

1.15 VAT

The municipality accounts for Value Added Tax on the payments basis.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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1.19 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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1.22 Budget information (continued)

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24 Events after reporting date

Events after the reporting date that have been classified as adjusting events are accounted for in the annual financial statements. Events after the reporting date that are classified as non-adjusting events are disclosed in the notes to the annual financial statements.

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2017	2016
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 32: Service Concession Arrangements: GrantorGRAP 108: Statutory Receivables	<ul style="list-style-type: none">01 April 201601 April 2016	<ul style="list-style-type: none">Not ApplicableThe impact of the amendment is not material.
<ul style="list-style-type: none">IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an AssetGRAP 16 (as amended 2015): Investment Property	<ul style="list-style-type: none">01 April 201601 April 2016	<ul style="list-style-type: none">Not ApplicableThe impact of the amendment is not material.
<ul style="list-style-type: none">GRAP 17 (as amended 2015): Property, Plant and Equipment	<ul style="list-style-type: none">01 April 2016	<ul style="list-style-type: none">The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 25: Employee BenefitsGRAP 18: Segment ReportingGRAP 20: Related parties	<ul style="list-style-type: none">01 April 201701 April 201701 April 2017	<ul style="list-style-type: none">Not ApplicableThe impact of the amendment is not material.
<ul style="list-style-type: none">GRAP 109: Accounting by Principals and AgentsGRAP 21 (as amended 2015): Impairment of non-cash-generating assets	<ul style="list-style-type: none">01 April 201701 April 2017	<ul style="list-style-type: none">Not ApplicableThe impact of the amendment is not material.
<ul style="list-style-type: none">GRAP 26 (as amended 2015): Impairment of cash-generating assets	<ul style="list-style-type: none">01 April 2017	<ul style="list-style-type: none">The impact of the amendment is not material.
<ul style="list-style-type: none">Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	<ul style="list-style-type: none">01 April 2018	<ul style="list-style-type: none">Not Applicable

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Notes to the Annual Financial Statements

	2017 R	2016 R
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3. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6,955,451	(1,754,433)	5,201,018	6,955,451	(1,522,944)	5,432,507

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	5,432,507	(231,489)	5,201,018

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	5,663,995	(231,488)	5,432,507

Pledged as security

There was no investment property pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Nkandla Municipality

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Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	101,806,440	-	101,806,440	102,116,940	-	102,116,940
Buildings	13,766,503	(2,867,015)	10,899,488	13,065,691	(2,393,482)	10,672,209
Plant and machinery	3,522,913	(1,276,834)	2,246,079	2,518,227	(690,557)	1,827,670
Furniture and fixtures	2,687,089	(1,527,500)	1,159,589	2,665,456	(1,232,500)	1,432,956
Motor vehicles	2,276,125	(1,218,136)	1,057,989	2,396,666	(1,023,409)	1,373,257
Computer equipment	2,662,117	(1,714,656)	947,461	2,410,505	(1,369,763)	1,040,742
Infrastructure	210,106,195	(37,703,786)	172,402,409	167,765,111	(28,977,962)	138,787,149
Work in progress	52,694,006	-	52,694,006	63,940,975	-	63,940,975
Landfill site	2,892,562	(1,607,878)	1,284,684	2,892,562	(1,393,764)	1,498,798
Total	392,413,950	(47,915,805)	344,498,145	359,772,133	(37,081,437)	322,690,696

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Assets written- off	Depreciation	Impairment loss	Total
Land	102,116,940	-	(310,500)	-	-	-	-	101,806,440
Buildings	10,672,209	700,812	-	-	-	(473,533)	-	10,899,488
Plant and machinery	1,827,670	1,005,593	-	-	(723)	(534,048)	(52,413)	2,246,079
Furniture and fixtures	1,432,956	100,061	-	-	(12,511)	(316,403)	(44,514)	1,159,589
Motor vehicles	1,373,257	-	(5,558)	-	-	(307,460)	(2,250)	1,057,989
Computer equipment	1,040,742	315,952	(18,566)	-	(11,994)	(370,700)	(7,973)	947,461
Infrastructure	138,787,149	-	-	42,341,085	-	(8,691,300)	(34,525)	172,402,409
Work in progress	63,940,975	38,529,666	-	(49,776,635)	-	-	-	52,694,006
Landfill site	1,498,798	-	-	-	-	(214,114)	-	1,284,684
	322,690,696	40,652,084	(334,624)	(7,435,550)	(25,228)	(10,907,558)	(141,675)	344,498,145

Nkandla Municipality

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Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Newly identified assets	Assets written- off	Depreciation	Impairment loss	Total
Land	102,418,440	-	(301,500)	-	-	-	-	-	102,116,940
Buildings	7,859,552	-	-	3,192,656	-	-	(379,999)	-	10,672,209
Plant and machinery	997,349	942,762	-	-	60,130	(455)	(172,116)	-	1,827,670
Furniture and fixtures	1,394,272	350,404	-	-	26,955	(48,143)	(284,651)	(5,881)	1,432,956
Motor vehicles	842,352	783,013	-	-	-	-	(252,108)	-	1,373,257
Computer equipment	1,346,787	138,968	-	-	39,337	(31,964)	(452,386)	-	1,040,742
Infrastructure	109,002,632	1,398,157	-	35,061,491	-	-	(6,591,189)	(83,942)	138,787,149
Work in progress	41,880,496	64,690,626	-	(42,630,147)	-	-	-	-	63,940,975
Landfill site	1,712,912	-	-	-	-	-	(214,114)	-	1,498,798
	267,454,792	68,303,930	(301,500)	(4,376,000)	126,422	(80,562)	(8,346,563)	(89,823)	322,690,696

Nkandla Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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4. Property, plant and equipment (continued)

Pledged as security

There was no property, plant and equipment pledged as security.

Property, plant and equipment that is being constructed/ developed:

Included in property, plant and equipment are property that have been identified as taking significantly longer period of time to complete than expected, due to the following:

-

Qedisimo

The accumulative expenditure has amounted to R1 447 637. The only outstanding work is the installation of cooling fridge, water connection and electricity connection.

Nkethabaweli-Manzawayo

The accumulative expenditure has amounted to R1 447 637. The contractor deserted the site towards the end of the project.

Thaleni-Vimbimbobo Electrification

The accumulative expenditure has amounted to R5 421 786. The project is on hold due to financial constraints, the municipality did not receive the grant from the department of energy.

Mvutshini Electrification

The accumulative expenditure has amounted to R3 201 314. The project is on hold due to financial constraints, the municipality did not receive the grant from the department of energy.

Masololo Electrification

The accumulative expenditure has amounted to R4 300 002. Difficulties experienced in getting outage dates from Eskom to energize the project due to some transformer zones being inaccessible due to the rain.

Dolwane Electrification

The accumulative expenditure has amounted to R318 294. Difficulties experienced in getting outage dates from Eskom to energize the project due to some transformer zones being inaccessible due to the rain.

Esixhokolo Electrification

The accumulative expenditure has amounted to R1 916 335. There was miscalculation on the document and the contractor amount was without VAT, this was discovered by the municipality did not have enough funds to cover the cost.

Ntshiza Electrification

The accumulative expenditure has amounted to R7 812 352. The project is on hold due to financial constraints, the municipality did not receive the grant from the department of energy.

Nhlosane Electrification

The accumulative expenditure has amounted to R13 262 183. The project is on hold due to financial constraints, the municipality did not receive the grant from the department of energy.

Creches ward 8, 6, 5 and 3

The accumulative expenditure has amounted to R1 666 704. The contractor deserted the site.

Repairs and maintenance

Property, plant and equipment that was not used for any period of time during the reporting period that significantly impacted the delivery of goods and services of the entity (Carrying amount)

Contracted services	2,122,965	-
Materials	1,302,597	-
Employee costs	993,514	-
	4,419,076	-

Reconciliation of Work-in-Progress 2017

Infrastructure	53,879,642	63,940,974
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Nkandla Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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4. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,564,952	(1,509,902)	1,055,050	1,512,321	(959,161)	553,160

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	553,160	1,052,631	(550,741)	1,055,050

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Assets written- off	Amortisation	Total
Computer software	920,584	41,809	(11,515)	(397,718)	553,160

Pledged as security

There were no intangible assets pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Other receivables from non exchange transactions

Prepayments	1,514,811	1,229,763
Less: Provision	(1,229,763)	(1,229,763)
Sundry debtors	285,048	-

Nkandla Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
7. Receivables from exchange transactions		
Gross Balances		
Electricity	3,170,538	3,502,950
Sundry	2,913,436	2,503,918
Refuse	5,344,037	5,006,614
Other	1,570,178	1,647,686
	12,998,189	12,661,168
Less: Allowance for credit impairment		
Electricity	(1,397,734)	(717,358)
Sundry	(1,685,529)	(2,104,548)
Refuse	(3,992,879)	(3,281,663)
Other	(712,133)	(571,755)
	(7,788,275)	(6,675,324)
Net balance		
Electricity	1,772,804	2,785,592
Sundry	1,227,906	399,371
Refuse	1,351,159	1,724,952
Other	858,046	1,075,933
	5,209,915	5,985,848
Reconciliation of allowance for credit impairment		
Balance at beginning of the year	(6,675,324)	(6,188,848)
Contributions for impairment	(1,112,951)	(486,476)
	(7,788,275)	(6,675,324)
8. Receivables from non-exchange transactions		
Rates - Gross Balance	10,256,061	5,473,861
Add back: Credit balance in debtors	813,936	2,392,103
	11,069,997	7,865,964
Less: allowance for credit impairment		
Rates	(7,082,087)	(4,433,658)
Net Balances		
Rates	3,987,910	3,432,305
Reconciliation of allowance for credit impairment		
Balance at beginning of the year	(4,433,658)	(4,006,707)
Contributions to allowance	(2,648,429)	(426,951)
	(7,082,087)	(4,433,658)

Nkandla Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
9. Consumer Debtors by Classification		
Consumers		
Current (0-30 days)	118,510	118,597
31-60 days	117,016	100,530
61-90 days	109,124	139,234
91-180+days	6,868,722	6,295,862
	7,213,372	6,654,223
Business		
Current (0-30 days)	342,278	227,788
31-60 days	224,700	163,773
61-90 days	155,040	175,358
91-180+days	3,573,446	2,533,429
	4,295,464	3,100,348
State Owned		
Current (0-30 days)	328,409	222,024
31-60 days	150,409	140,116
61-90 days	105,301	170,006
91-180+days	4,618,939	3,348,088
	5,203,058	3,880,234
Other		
Current (0-30 days)	2,300,571	305,719
31-60 days	124,573	158,700
61-90 days	55,466	154,946
91-180+days	4,061,748	3,880,926
	6,542,358	4,500,291
Total		
Current (0-30 days)	3,089,769	874,127
31-60 days	616,697	563,124
61-90 days	424,930	639,545
91-180+days	19,122,855	16,058,313
Add back: Credit balances in debtors	813,936	2,392,103
Less: Debt impairments	(14,870,362)	(11,108,980)
	9,197,825	9,418,232

Consumer debtors past due but not impaired

Other Consumer debtors which are 3 months past due are not considered to be impaired . At 30 June 2017, R 4,229,971
(2016: R2,785,029)

1 month past due	2,697,998	1,567,031
2 month past due	753,123	1,032,365
3 month past due	778,850	185,633

10. VAT receivable

VAT	3,026,320	9,469,089
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Nkandla Municipality accounts for VAT on cash basis.

Nkandla Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	5,370	2,707
Bank and cash	801,565	4,479,106
	806,935	4,481,813

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA - Primary Bank Account - 4053858355	652,992	4,402,554	5,406,879	652,992	4,409,461	5,406,879
ABSA - Call Account - 9104679851	1,627	69	438,311	1,627	69	438,311
ABSA - MIG Call Account - 9108997407	11,432	621	1,992,684	11,432	621	1,992,684
ABSA - MIG Call Account - 9287118398	1,228	1,156	1,094	1,228	1,156	1,094
ABSA - Conditional Call Account - 9132397071	46,587	44,741	43,199	46,587	44,741	43,199
ABSA - DOE Call Account - 9287118576	74,014	12,125	24,085	74,014	12,125	24,085
ABSA - EPWP Call Account - 9287118801	1,073	1,010	236,095	1,073	1,010	236,095
ABSA - MSIG Call Account - 9287117928	8,154	7,677	381,374	8,154	7,677	381,374
ABSA - FMG Call Account - 9287118110	3,229	1,010	525,942	3,229	1,010	525,942
ABSA - Investment Account - 9287138394	1,228	1,156	1,094	1,228	1,156	1,094
Petty Cash	-	-	-	5,371	2,707	-
Direct deposit clearing	-	-	-	-	79	-
Cash customer control	-	-	-	-	1	-
Total	801,564	4,472,119	9,050,757	806,935	4,481,813	9,050,757

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Cyber Cadet Grant	34,847	88,655
E-Learning Grant	-	167,230
Electrification Grant	-	640
Facility Grant	-	750,000
Qedisimo Grant	1,447,676	1,447,676
Library Grant	508,083	460,294
	1,990,606	2,914,495

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 21 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Nkandla Municipality

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Notes to the Annual Financial Statements

					2017 R	2016 R
13. Provisions						
Reconciliation of provisions - 2017						
	Opening Balance	Additions	Acturial (gain)/loss recognised	Interest cost	Service cost	Total
Environmental rehabilitation	4,940,563	323,607	-	-	-	5,264,170
Long service award - short term	30,832	33,065	-	-	-	63,897
Long service award - long term	1,254,000	(99,897)	(133,000)	112,000	256,000	1,389,103
	6,225,395	256,775	(133,000)	112,000	256,000	6,717,170
Reconciliation of provisions - 2016						
	Opening Balance	Additions	Acturial (gain)/loss recognised	Interest cost	Service cost	Total
Environmental rehabilitation	4,636,849	303,714	-	-	-	4,940,563
Long service award - short term	-	30,832	-	-	-	30,832
Long service award - long term	1,152,000	(34,000)	(144,000)	97,000	183,000	1,254,000
	5,788,849	300,546	(144,000)	97,000	183,000	6,225,395
Non-current liabilities					6,653,273	6,194,563
Current liabilities					63,897	30,832
					6,717,170	6,225,395

Environmental rehabilitation provision

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 6.55% over an average period of 5 years.

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Notes to the Annual Financial Statements

	2017 R	2016 R
13. Provisions (continued)		
Long service award provision		
In line with the guidelines of the Bargaining Council, the municipality remunerates its employees for the long service rendered to the municipality. The estimates of the present obligation are determined through the use of Actuarial expertise. Such estimates are reviewed annually at the end of each financial year. The finance cost and actuarial gains/losses are recognised directly in the statement of financial performance.		
The municipality offers bonuses for every 5 years of completed service from 10 to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or wholly or partially cashed. In most cases employees exercise the option to wholly convert their accumulative leave bonus days into cash.		
Key assumptions (%)		
Discount rate	9.50%	
CPI	6.34%	
Salary increase rate	7.34%	
Net Discount Rate	2.01%	
Mortality	SA85-90	
Normal retirement age	63	
14. Payables from exchange transactions		
Trade payables	12,646,674	17,157,267
Payments received in advanced	2,329,209	3,978,535
Other payables	2,217,802	117,693
Accrued leave pay	2,988,106	2,552,292
Accrued bonus	920,704	823,882
Retentions	6,768,888	5,326,252
	27,871,383	29,955,921
15. Service charges		
Sale of electricity	8,594,655	7,340,362
Refuse removal	734,488	623,982
	9,329,143	7,964,344
16. Rental of facilities and equipment		
Premises		
Premises	614,086	543,417
Facilities and equipment		
Rental of facilities	63,682	55,912
	677,768	599,329

Nkandla Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
17. Other income		
Burial fees	9,082	4,911
Connection fees	83,441	4,238,888
Donations received	-	126,522
Housing plan	3,781	2,623
Library fees	22,241	26,180
Lindela Thusong Services	15,789	22,998
Refunds	-	5,604
Temparing fees	52,965	20,607
Taxi and bus licences	12,897	14,673
Tender monies	104,954	181,673
Wood sales	-	246
Plan submission	109,282	7,429
Recoveries from employees	26,857	74,040
Meter testing fees	-	76
Rates clearance certificates	678	426
Electricity meter upgrade	18,947	20,228
Disconnection fees	5,842	6,027
Sale of land	116,564	100,000
Penalties and fines	35,349	-
Advertising billboards	1,689	-
	620,358	4,853,151
18. Investment revenue		
Interest revenue		
Interest from current account	528,991	928,757
Interest on investment	128,484	1,127,607
Interest from SARS	6,505	20,677
	663,980	2,077,041

Nkandla Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
19. Property rates		
Rates		
Property rates	21,775,754	18,566,400
Less: Income forgone	(2,941,100)	(5,748,324)
	18,834,654	12,818,076

Valuations

Agriculture	56,000	56,000
Business	82,525,000	82,525,000
Place of worship	1,870,000	1,870,000
Residential	76,033,000	76,033,000
State trust land	115,590,000	115,590,000
State owned properties	443,140,000	443,140,000
Vacant land	12,652,000	12,652,500
Protected area	11,000,000	11,000,000
Specialised non-market properties	79,630,000	79,630,000
Public service infrastructure	95,000	95,000
Public benefit organisations	11,235,000	11,235,000
Multiple use properties	5,600,000	5,600,000
	839,426,000	839,426,500

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A fixed rate is applied:

Agriculture: 0.0028c in the Rand

Business: 0.0325 in the Rand

Place of worship: 0.0189 in the Rand

Residential: 0.0112 in the Rand

State trust land: 0.0028 in the Rand

State owned properties: 0.0346 in the Rand

Vacant Land: 0.0167 in the Rand

Protected area: Nil

Specialised non-market properties: Nil

Public service infrastructure: Nil

The following rebate rates are applied:

100% of market value of Ingonyama Trust Land

100% of market value residential properties less than R80 000

100% of market value of worshipping properties

First R80 000 on any residential properties

40% of market value less exemption for owners who are eligible pensioners.

20. Grant expenditure

Other subsidies

Grant expenditure realised	7,435,551	4,376,001
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Nkandla Municipality

(Registration number KZN 286)

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
21. Government grants and subsidies		
Operating grants		
Equitable share	79,169,000	82,038,000
Expanded Public Works Programme Grant	2,149,000	1,108,115
Financial Management Grant	1,825,000	1,920,616
Municipal Systems Improvement Grant	-	930,000
Cybercadet Grant	232,808	131,753
Sports and Recreation Grant	-	-
Library Grant	1,016,210	462,862
Qedisimo Projects	-	-
LGSETA	112,255	280,842
Facility Grant	750,000	-
E-Learning Grant	167,230	-
	85,421,503	86,872,188
Capital grants		
Electrification Grant	18,000,639	34,999,361
Municipal Infrastructure Grant	21,795,000	22,188,001
	39,795,639	57,187,362
	125,217,142	144,059,550

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

In terms of the Division of Revenue Act an amount of R79 169 000 was gazetted to be received. An amount of R79 169 000 was received.

Small Town Rehabilitation Grant

Balance unspent at beginning of year	-	466,266
Conditions met - transferred to revenue	-	(466,266)
	-	-

Conditions still to be met - remain liabilities (see note 12).

Cyber Cadet Grant

Balance unspent at beginning of year	88,655	50,408
Current-year receipts	179,000	170,000
Conditions met - transferred to revenue	(232,808)	(131,753)
	34,847	88,655

Conditions still to be met - remain liabilities (see note 12).

Municipal Systems Improvement Grant

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
21. Government grants and subsidies (continued)		
Finance Management Grant		
Balance unspent at beginning of year	-	120,616
Current-year receipts	1,825,000	1,800,000
Conditions met - transferred to revenue	(1,825,000)	(1,920,616)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
E-Learning Grant		
Balance unspent at beginning of year	167,230	167,230
Conditions met - transferred to revenue	(167,230)	-
	-	167,230
Conditions still to be met - remain liabilities (see note 12).		
Sport & Recreation Grant		
Balance unspent at beginning of year	-	1,122,219
Conditions met - transferred to revenue	-	(1,122,219)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Electrification Grant		
Balance unspent at beginning of year	640	-
Current-year receipts	18,000,000	35,000,000
Conditions met - transferred to revenue	(18,000,640)	(34,999,360)
	-	640
Conditions still to be met - remain liabilities (see note 12).		
Facility Grant		
Balance unspent at beginning of year	750,000	750,000
Conditions met - transferred to revenue	(750,000)	-
	-	750,000
Conditions still to be met - remain liabilities (see note 12).		
Municipal Infrastructure Grant		
Conditions met - transferred to revenue	21,795,000	22,188,000
Other	(21,795,000)	(22,188,000)
	-	-
Conditions still to be met - remain liabilities (see note 12).		
Provide explanations of conditions still to be met and other relevant information.		

Nkandla Municipality

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	2017 R	2016 R
21. Government grants and subsidies (continued)		
EPWP Grant		
Balance unspent at beginning of year	-	83,115
Current-year receipts	2,149,000	1,025,000
Conditions met - transferred to revenue	(2,149,000)	(1,108,115)
	-	-
Qedisimo Projects		
Balance unspent at beginning of year	1,447,676	1,447,676
Conditions still to be met - remain liabilities (see note 12).		
Library Grant		
Balance unspent at beginning of year	460,294	370,156
Current-year receipts	1,064,000	553,000
Conditions met - transferred to revenue	(1,016,211)	(462,862)
	508,083	460,294
Conditions still to be met - remain liabilities (see note 12).		

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	2017 R	2016 R
22. Employee related costs		
Basic	25,323,873	22,432,703
Bonus	1,951,258	2,376,819
Medical aid - company contributions	1,404,730	1,157,261
UIF	198,337	218,988
SDL	387,198	336,039
Leave pay provision charge	735,192	68,810
Standby allowance	264,888	258,915
Pension contributions	3,373,477	2,979,317
Travel, motor car, accommodation, subsistence and other allowances	5,031,011	5,001,781
Overtime payments	459,120	596,161
Long-service awards	250,102	288,212
Acting allowances	457,810	1,035,956
Housing benefits and allowances	190,831	309,666
Industrial council	10,675	27,025
Cellphone allowance	15,200	14,800
Group life insurance	283,267	225,124
	40,336,969	37,334,752
Remuneration of Municipal Manager		
Annual Remuneration	421,170	739,412
Car Allowance	116,494	158,440
Housing Allowance	41,691	15,581
Acting Allowance	190,420	404,780
Other	5,345	-
	775,120	1,318,213
Remuneration of Chief Financial Officer		
Annual Remuneration	615,520	191,395
Car Allowance	205,173	68,266
Performance Bonuses	-	172,747
Other	7,274	-
	827,967	432,408
Remuneration of Director of Community Services		
Annual Remuneration	382,083	224,749
Car Allowance	163,749	96,321
Other	145,563	50,446
	691,395	371,516
Remuneration of Director of Technical Services		
Annual Remuneration	575,653	539,147
Car Allowance	148,025	138,638
Contributions to UIF, Medical and Pension Funds	-	52,570
Housing Allowance	98,683	-
Other	40,805	-
	863,166	730,355

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	2017 R	2016 R
22. Employee related costs (continued)		
Remuneration of Director of Corporate Services		
Annual Remuneration	548,030	474,515
Car Allowance	231,629	168,611
Other	53,309	120,893
	832,968	764,019
23. Remuneration of councillors		
Executive Major	777,647	782,480
Deputy Mayor	291,481	359,574
MPAC Chairperson	305,825	317,685
Speaker	461,606	359,574
Councillors	5,506,737	5,060,750
Executive Committee	701,365	1,015,908
	8,044,661	7,895,971
In-kind benefits		
The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor is entitled to stay at the mayoral residence owned by Council at no cost.		
The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
The Mayor has three full-time bodyguards . The Deputy Mayor and speaker have two full-time bodyguards.		
24. Depreciation and amortisation		
Property, plant and equipment	10,907,555	8,346,563
Investment property	231,489	231,488
Intangible assets	550,741	397,719
	11,689,785	8,975,770
25. Impairment of assets		
Impairments		
Property, plant and equipment	141,675	89,823
During the physical verification of the assets, certain assets were identified to be in a poor condition and thus an impairment was recognised accordingly.		
26. Debt impairment		
Debt impairment	3,761,382	2,143,187
Bad debts written off	476,182	3,436,936
	4,237,564	5,580,123
27. Bulk purchases		
Electricity	12,721,485	9,379,505

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	2017 R	2016 R
28. Contracted services		
Information Technology Services	1,651,036	2,708,090
Security services	6,834,898	3,636,291
	8,485,934	6,344,381
29. General expenses		
Advertising	5,342,730	5,663,278
Auditors remuneration	1,806,407	2,003,560
Bank charges	81,638	85,618
Cleaning	241,198	182,982
Consulting and professional fees	11,210,231	8,581,294
Consumables	1,348	41,815
Commission	619,752	639,177
Sport & recreation	3,533,933	3,836,848
Entertainment	65,135	121,151
Fines and penalties	219,260	112,979
Indigent burial	361,493	227,100
Community safety	935,660	994,999
Plant hire - road maintenance	899,169	666,565
Insurance	293,232	225,831
Community development	4,955,841	3,266,155
Bursaries	96,272	204,813
Contracted services - repairs and maintenance	2,327,016	525,651
Material - repairs and maintenance	1,106,659	2,402,357
Packaging	323,607	303,714
Social services	-	385,116
Fuel and oil	1,303,514	1,128,459
Printing and stationery	474,535	397,833
Library and information services	201,189	376,691
Software expenses	278,156	235,252
Staff welfare	74,432	103,661
Subscriptions and membership fees	500,000	522,072
Telephone and fax	1,380,020	1,159,691
Training	466,570	765,728
Water	527,285	272,284
Sewerage and waste disposal	162,279	483,339
Uniforms	692,815	237,802
Travelling and accommodation	1,155,740	1,767,334
Youth development	1,546,942	1,290,930
Free basic electricity	616,756	889,259
Local economic development	2,182,580	2,709,394
Spatial planning	3,594	198,300
Provincialisation	446,638	116,089
Traffic unit	193,683	301,703
Strategic planning	26,460	123,746
Other expenses	6,964	305
	46,660,733	41,658,115
30. Auditors' remuneration		
Fees	1,806,407	2,003,560

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	2017 R	2016 R
31. Operating lease		
Lease rentals on operating lease	3,766,842	2,846,294
Operating leases are in respect of leasing of printing machines from Capital Office. Refer to note 33 on additional lease commitment information.		
32. Cash generated from operations		
Surplus	14,555,666	48,091,211
Adjustments for:		
Depreciation and amortisation	11,689,785	8,975,770
Surplus or (loss) on disposal of assets	(863,377)	(459,903)
Impairment deficit	141,675	89,823
Debt impairment	4,237,564	5,580,123
Movements in provisions	491,775	436,546
Grant expenditure realised	7,435,550	4,376,000
Prior period errors	-	1,588,486
Asset written-off	25,236	92,077
Newly identified assets	-	(126,423)
Changes in working capital:		
Consumer debtors	(3,461,631)	(4,489,059)
Other receivables from non-exchange transactions	(555,605)	(1,128,381)
Prepayments	(299,139)	1,229,763
Payables from exchange transactions	(2,084,543)	9,848,676
VAT	6,442,769	(9,215,670)
Unspent conditional grants and receipts	(923,889)	(1,873,647)
	36,831,836	63,015,392

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	2017 R	2016 R
33. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Electrification	24,497,532	35,176,677
• Infrastructure assets	8,974,059	15,144,886
	33,471,591	50,321,563
Not yet contracted for and authorised by accounting officer		
• Electrification	-	18,000,000
• Infrastructure assets	1,158,500	-
	1,158,500	18,000,000
Total capital commitments		
Already contracted for but not provided for	33,471,591	50,321,563
Not yet contracted for and authorised by accounting officer	1,158,500	18,000,000
	34,630,091	68,321,563

Authorised operational expenditure

This committed expenditure relates to assets and will be financed by available grant funding, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1,867,681	1,058,159
- in second to fifth year inclusive	3,398,338	7,149
	5,266,019	1,065,308

Operating lease payments represent rentals payable by the municipality for vehicles and computer equipment. Leases are negotiated for an average term of three years and rentals of vehicles and computer equipment with contingent rentals payable.

34. Contingencies

The following cases against the municipality are still pending and management consider them as contingent liability:

Ulungeni Consulting Engineers v Nkandla Municipality. The municipality is the defendant in this Civil matter. The municipality is sued for R281 954,76. We have filed our plea, currently waiting for a replication.

Shikani Trading cc v Nkandla Municipality. Summons for damages was issued against the municipality. Financial exposure in respect of claim against the municipality is the sum of R2 286 636,56 plus interest. Financial exposure in respect of legal fees inclusive of disbursements: approximately R50 000.

Nkandla Municipality v B. Khanyile & others. Action instituted by Nkandla Municipality to interdict, restrain, demarcating and/or carrying out any building and construction activity on any portion of land which falls within the Municipal boundaries and/or to vacate the illegal occupiers. Financial exposure in respect of respondent's legal costs is R82 684,50.

35. Related parties

There were no transactions with related parties that were not at arm's length or that were not in the ordinary course of business.

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Notes to the Annual Financial Statements

Figures in Rand

36. Prior period errors

1. Through detailed review and reconciliation of the trade payables ledger balances, suppliers module and confirmation with suppliers; the municipality discovered that there were numerous misstatements on the trade payables ledger balances. Such misstatements are mainly attributable to duplicate transactions and other invoices that were captured incorrectly on the accounting system. Consequently the trade and other payables balances, expenses, work-in-progress and VAT were overstated as at 30 June 2016.

2. Through detailed review of the municipal grants records and direct confirmation with the transferring department; the municipality discovered that Small Town and Sport & Recreation projects were completed in the prior years. The projects close out reports and confirmation with the respective transferring departments clearly indicated that the projects were completed and the funds were fully utilised. Therefore it is apparent that the conditional grant liability and accumulated surplus was overstated in the prior years.

The effect of the errors on the prior year balances is reflected below:

Statement of financial position

VAT	(196,968)
Property, plant and equipment	(448,986)
Payables from exchange transactions	2,257,620
Unspent grants	1,588,485
Opening Accumulated Surplus or Deficit	(3,200,151)

	Previously reported	Adjustment	Restated Balance
VAT	9,666,057	(196,968)	9,469,089
Property Plant and Equipment	323,139,682	(448,986)	322,690,696
Payables from exchange transactions	(32,213,541)	2,257,620	(29,955,921)
Unspent Grants	(4,502,980)	1,588,485	(2,914,495)
Accumulated Surplus	-	(3,200,151)	(3,200,151)
	296,089,218	-	296,089,218

Statement of Financial Performance

Bulk purchase	-	(275,949)
Contracted service	-	(46,000)
General expenses	-	(1,035,248)
Repairs and maintenance	-	(247,293)

Nkandla Municipality

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Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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37. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
Repairs and maintenance	(2,928,008)	2,928,008	-
General expenses	(41,658,115)	(2,928,008)	(44,586,123)
Total	(44,586,123)	-	(44,586,123)

38. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Current liabilities

Trade and other payables from exchange transactions	27,807,486	29,955,921
Unspent conditional grants	1,990,606	2,914,495
Provision for long service award	63,897	30,832
	29,861,989	32,901,248

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Consumer debtors comprise of a large number of ratepayers dispersed across different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the municipality's policies regarding credit control and debt collection. The municipality has made a provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Trade and other receivables from exchange transactions	5,209,015	5,985,848
Trade and other receivables from non-exchange transactions	3,987,910	3,432,305
Cash and cash equivalents/bank balances	809,935	4,481,813

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Notes to the Annual Financial Statements

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39. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

40. Events after the reporting date

There were no events after the reporting date.

41. Unauthorised expenditure

Opening Balance	3,308,672	-
Current year movement - actual expenditure exceeds budget	20,822,199	3,308,672
Uncashed Conditional Grants	1,180,671	-
	25,311,542	3,308,672

42. Fruitless and wasteful expenditure

Opening Balance	407,670	328,119
Fruitless and wasteful expenditure current year not condoned	69,639	53,070
Interest charged on Eskom Account - Current Year (not condoned)	31,530	26,481
	508,839	407,670

Fruitless and wasteful expenditure is as a result of penalties/late payments of interest charged by SARS, Telkom and Eskom.

43. Irregular expenditure

Opening balance	60,647,202	45,969,730
Add: Irregular Expenditure - current year	15,217,127	14,677,472
Less: Irregular Expenditure reported	(2,745,160)	-
	73,119,169	60,647,202

Irregular expenditure relates to procurement of goods and services without following proper supply chain management processes. Irregular expenditure has been submitted to council and the council referred it to the MPAC for investigation.

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	500,000	502,576
Amount paid - current year	-	(502,576)
	500,000	-

Audit fees

Opening balance	95,994	17,942
Current year subscription / fee	2,222,984	2,003,560
Amount paid - current year	(2,276,538)	(1,925,508)
	42,440	95,994

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44. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	(82,629)	46,052
Current year subscription / fee	6,864,935	6,492,786
Amount paid - current year	(5,651,692)	(6,621,467)
	1,130,614	(82,629)

Pension and Medical Aid Deductions

Current year subscription / fee	7,889,169	7,057,897
Amount paid - current year	(7,422,989)	(7,057,897)
	466,180	-

VAT

VAT receivable	3,026,320	9,469,089
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Nkandla Municipality accounts for VAT on cash basis.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2017:

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations. The deviations for 2017 - R1 435 679.96 amounted to R (2016 - R3 477 234).

46. Surplus / (Loss) on disposal of asset

Surplus / (Loss) on disposal of assets	863,377	459,903
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47. Electricity Distribution Losses

Electricity distribution loss in rand value	2,493,984	4,231,510
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The electricity losses in units for 2017 - 5 356 520 (Kwh). This constituted a 36.6% loss which is above the norm of 6%-12%

Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

[illegible]

Appendix B

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Assets written-off	Closing Balance	Opening Balance	Newly identified assets	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	2,396,666	-	(5,558)	-	-	-	2,391,108	(1,023,409)	-	-	(307,460)	(2,250)	(1,333,119)	1,057,989
Plant & equipment	2,518,227	1,005,592	-	-	-	(723)	3,523,096	(690,557)	-	-	(534,048)	(52,413)	(1,277,018)	2,246,078
Computer Equipment	2,410,506	315,952	(18,567)	-	-	(11,994)	2,695,897	(1,369,762)	-	-	(370,700)	(7,973)	(1,748,435)	947,462
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2,665,456	100,060	-	-	-	(12,511)	2,753,005	(1,232,500)	-	-	(316,403)	(44,514)	(1,593,417)	1,159,588
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	13,065,690	700,814	-	-	-	-	13,766,504	(2,393,483)	-	-	(473,533)	-	(2,867,016)	10,899,488
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	63,940,974	38,529,667	-	(49,776,635)	-	-	52,694,006	-	-	-	-	-	-	52,694,006
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	86,997,519	40,652,085	(24,125)	(49,776,635)	-	(25,228)	77,823,616	(6,709,711)	-	-	(2,002,144)	(107,150)	(8,819,005)	69,004,611

Appendix B

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Assets written-off	Closing Balance	Opening Balance	Newly identified assets	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	105,009,502	-	(310,500)	-	-	-	104,699,002	(1,393,764)	-	-	(214,114)	-	(1,607,878)	103,091,124
Infrastructure	167,765,111	-	-	42,341,085	-	-	210,106,196	(28,977,964)	-	-	(8,691,298)	(34,525)	(37,703,787)	172,402,409
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	86,997,519	40,652,085	(24,125)	(49,776,635)	-	(25,228)	77,823,616	(6,709,711)	-	-	(2,002,144)	(107,150)	(8,819,005)	69,004,611
	359,772,132	40,652,085	(334,625)	(7,435,550)	-	(25,228)	392,628,814	(37,081,439)	-	-	(10,907,556)	(141,675)	(48,130,670)	344,498,144
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	1,512,321	1,052,632	-	-	-	-	2,564,953	(959,161)	-	-	(550,741)	-	(1,509,902)	1,055,051
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,512,321	1,052,632	-	-	-	-	2,564,953	(959,161)	-	-	(550,741)	-	(1,509,902)	1,055,051
Investment properties														
Investment property	6,955,451	-	-	-	-	-	6,955,451	(1,522,944)	-	-	(231,489)	-	(1,754,433)	5,201,018
	6,955,451	-	-	-	-	-	6,955,451	(1,522,944)	-	-	(231,489)	-	(1,754,433)	5,201,018
Total														
Land and buildings	105,009,502	-	(310,500)	-	-	-	104,699,002	(1,393,764)	-	-	(214,114)	-	(1,607,878)	103,091,124
Infrastructure	167,765,111	-	-	42,341,085	-	-	210,106,196	(28,977,964)	-	-	(8,691,298)	(34,525)	(37,703,787)	172,402,409
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	86,997,519	40,652,085	(24,125)	(49,776,635)	-	(25,228)	77,823,616	(6,709,711)	-	-	(2,002,144)	(107,150)	(8,819,005)	69,004,611
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1,512,321	1,052,632	-	-	-	-	2,564,953	(959,161)	-	-	(550,741)	-	(1,509,902)	1,055,051
Investment properties	6,955,451	-	-	-	-	-	6,955,451	(1,522,944)	-	-	(231,489)	-	(1,754,433)	5,201,018
	368,239,904	41,704,717	(334,625)	(7,435,550)	-	(25,228)	402,149,218	(39,563,544)	-	-	(11,689,786)	(141,675)	(51,395,005)	350,754,213

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	114,782,440	-	(886,000)	-	-	-	113,896,440	-	-	-	-	-	-	113,896,440
Landfill Sites (Separate for AFS purposes)	2,892,562	-	-	-	-	-	2,892,562	(965,536)	-	-	(192,703)	-	(1,158,239)	1,734,323
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	117,675,002	-	(886,000)	-	-	-	116,789,002	(965,536)	-	-	(192,703)	-	(1,158,239)	115,630,763
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	70,529,956	130,500	-	4,014,465	-	-	74,674,921	(9,877,768)	-	-	(2,962,067)	(1,674,641)	(14,514,476)	60,160,445
	70,529,956	130,500	-	4,014,465	-	-	74,674,921	(9,877,768)	-	-	(2,962,067)	(1,674,641)	(14,514,476)	60,160,445
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	30,804,035	3,252,150	-	3,013,246	-	-	37,069,431	(5,420,672)	-	-	(1,194,442)	(93,443)	(6,708,557)	30,360,874
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	30,804,035	3,252,150	-	3,013,246	-	-	37,069,431	(5,420,672)	-	-	(1,194,442)	(93,443)	(6,708,557)	30,360,874

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Other assets

General vehicles	1,605,505	8,148	-	-	-	-	1,613,653	(533,772)	-	-	(237,531)	-	(771,303)	842,350
Plant & equipment	1,352,852	278,311	(259,784)	-	-	-	1,371,379	(520,402)	173,600	-	(48,512)	-	(395,314)	976,065
Computer Equipment	2,195,341	1,084,978	(922,267)	-	-	-	2,358,052	(1,264,358)	800,425	-	(541,929)	(5,402)	(1,011,264)	1,346,788
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2,403,487	540,601	(515,930)	-	-	-	2,428,158	(1,065,379)	281,327	-	(180,581)	(21,013)	(985,646)	1,442,512
Office Equipment	171,486	55,350	(76,411)	-	-	-	150,425	(71,602)	61,708	-	(20,625)	(37,229)	(67,748)	82,677
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	5,175,984	-	-	4,697,050	-	-	9,873,034	(1,734,651)	-	-	(278,831)	-	(2,013,482)	7,859,552
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	41,253,709	38,285,810	-	(19,937,920)	-	-	59,601,599	-	-	-	-	-	-	59,601,599
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	54,158,364	40,253,198	(1,774,392)	(15,240,870)	-	-	77,396,300	(5,190,164)	1,317,060	-	(1,308,009)	(63,644)	(5,244,757)	72,151,543

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	117,675,002	-	(886,000)	-	-	-	116,789,002	(965,536)	-	-	(192,703)	-	(1,158,239)	115,630,763
Infrastructure	70,529,956	130,500	-	4,014,465	-	-	74,674,921	(9,877,768)	-	-	(2,962,067)	(1,674,641)	(14,514,476)	60,160,445
Community Assets	30,804,035	3,252,150	-	3,013,246	-	-	37,069,431	(5,420,672)	-	-	(1,194,442)	(93,443)	(6,708,557)	30,360,874
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	54,158,364	40,253,198	(1,774,392)	(15,240,870)	-	-	77,396,300	(5,190,164)	1,317,060	-	(1,308,009)	(63,644)	(5,244,757)	72,151,543
	273,167,357	43,635,848	(2,660,392)	(8,213,159)	-	-	305,929,654	(21,454,140)	1,317,060	-	(5,657,221)	(1,831,728)	(27,626,029)	278,303,625
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	937,589	717,064	-	-	-	-	1,654,653	(433,002)	-	-	(225,945)	-	(658,947)	995,706
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	937,589	717,064	-	-	-	-	1,654,653	(433,002)	-	-	(225,945)	-	(658,947)	995,706
Investment properties														
Investment property	6,955,451	-	-	-	-	-	6,955,451	(1,059,729)	-	-	(222,861)	-	(1,282,590)	5,672,861
	6,955,451	-	-	-	-	-	6,955,451	(1,059,729)	-	-	(222,861)	-	(1,282,590)	5,672,861
Total														
Land and buildings	117,675,002	-	(886,000)	-	-	-	116,789,002	(965,536)	-	-	(192,703)	-	(1,158,239)	115,630,763
Infrastructure	70,529,956	130,500	-	4,014,465	-	-	74,674,921	(9,877,768)	-	-	(2,962,067)	(1,674,641)	(14,514,476)	60,160,445
Community Assets	30,804,035	3,252,150	-	3,013,246	-	-	37,069,431	(5,420,672)	-	-	(1,194,442)	(93,443)	(6,708,557)	30,360,874
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	54,158,364	40,253,198	(1,774,392)	(15,240,870)	-	-	77,396,300	(5,190,164)	1,317,060	-	(1,308,009)	(63,644)	(5,244,757)	72,151,543
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	937,589	717,064	-	-	-	-	1,654,653	(433,002)	-	-	(225,945)	-	(658,947)	995,706
Investment properties	6,955,451	-	-	-	-	-	6,955,451	(1,059,729)	-	-	(222,861)	-	(1,282,590)	5,672,861
	281,060,397	44,352,912	(2,660,392)	(8,213,159)	-	-	314,539,758	(22,946,871)	1,317,060	-	(6,106,027)	(1,831,728)	(29,567,566)	284,972,192